



Ex-Im Is Wasteful Enough Abroad — We Don't Need It at Home

For years now, the U.S. Export-Import Bank — an under-the-radar agency that provides subsidized loans to foreign firms willing to buy American products — has tried to remain relevant. After a semi-hiatus alongside criticism for functioning as the “Bank of Boeing,” Ex-Im convinced the Trump and Biden administrations that it may be a tremendous weapon to fight Chinese influence. While it can do no such thing, Ex-Im is now moving on to something else: extending its domestic influence.

Ex-Im’s grandiose claims shouldn’t distract us from its mediocrity. In 2019, Congress handed the agency a seven-year reauthorization and restored a quorum on its board of directors. This allowed Ex-Im to resume work on what it claimed was a \$40-billion backlog of U.S. projects. The argument was that during the four prior years, when Ex-Im was mostly dormant, U.S. exporters lost billions of dollars because foreign clients couldn’t access preferential loan rates and terms (all backed by American taxpayers). These exports, the tale continued, were ready to roll as soon as the agency was revived.

Veronique de Rugy

Nonsense. Three years later, advocates for the Bank’s crony activities still use the backlog as justification. In other words, if there ever was a backlog, it’s apparently still there.

That leaves one to wonder what the Bank has been doing in recent years. While the country was in the early stages of the pandemic in 2020, Ex-Im deployed new lending programs and lifted some restrictions in existing programs, purportedly to allow more deals to go through during hard times. You would think that such an international crisis would increase the demand for cheaper financing. You’d be wrong.

While a few large companies that already had plenty of access to capital benefited, the number of deals remained low. As a result, Ex-Im’s footprint has been steadily declining. According to Ex-Im data, its portfolio of loans and guarantees dropped from \$54.7 billion in 2019 to \$46.9 billion in 2020 and finally to \$41.3 billion in 2021. This is less than one-third of the institution’s \$135 billion financing capacity.

Then there’s Ex-Im’s “Program on China and Transformational Exports,” which Congress inserted into



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the 2019 reauthorization to spur strategic investments designed to counter China’s global economic influence. Last year, the program delivered only \$141 million — a tiny fraction of the \$27 billion target that Ex-Im is supposed to hit by the end of 2026.

Meanwhile, Ex-Im’s support for small business has been declining since the Bank was fully restored in 2019, dropping from \$2.3 billion to \$2.1 billion to only \$1.6 billion in 2021. In 2021, Ex-Im’s financing for women- and minority-owned businesses was only \$361 million. That’s less than half of where it stood 10 years ago, not even adjusting for inflation.

Faced with this record of underachievement, the Biden administration could have put an end to the charade once and for all. Instead, it asked the agency to investigate financing investments within the United States, rather than merely abroad. It’s a ludicrous idea.

There’s no need to issue loans domestically. We have one of the most highly developed financial markets in the world, and the U.S. banking sector is plump with liquidity available to companies that need capital. In fact, any engagement by Ex-Im in the domestic market would simply replace legitimate sources of financing that aren’t subsidized by U.S. taxpayers. In addition to crowding out private lenders and distorting capital markets, it would extend the corporate favoritism that the Bank is known for abroad to our own shores. It’s an unfair advantage to companies the government chooses to subsidize.

What are the chances Ex-Im will conclude that there’s no need for any of this? Near zero.

Meanwhile, the extremely flexible criteria it’s proposing to assess domestic investments will all but guarantee that companies with no need will be eligible. Boeing, for example, would now be able to borrow from Ex-Im for its domestic operations, in addition to benefiting from a huge amount of the Bank’s foreign activities. While Boeing would understandably love an additional handout, like most of these subsidies, it will be a net negative for the country’s economy as a whole.

There aren’t enough words in this column to list all the many dangers lurking in this proposal. When it comes to government decisions, arguments matter, but a long-term track record should matter more. Biden and his team should reconsider and instead ponder shutting Ex-Im’s doors for good.

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